516.203-4 Contract clauses.

- (a) *Special Order Program Contracts*. In multiyear solicitations and contracts, after making the determination required by FAR 16.203-3, use <u>552.216-71</u>, Economic Price Adjustment—Special Order Program Contracts, or a clause prepared as authorized in paragraph (a)(3) of this subsection.
- (1) If the contract includes one or more options to extend the term of the contract, use the clause with its Alternate I or a clause substantially the same as $\underline{552.216-71}$ with its Alternate I suitably modified.
- (2) In a contract requiring a minimum adjustment before the price adjustment mechanism is effectuated, use the basic clause with Alternate II or with Alternate I and Alternate II.
- (3) If the Producer Price Index is not an appropriate indicator for price adjustment, modify the clause to use an alternate indicator for adjusting prices. Similarly, if other aspects of <u>552.216-71</u> are not appropriate, use an alternate clause following established procedures.
 - (b) Adjustments based on cost indexes of labor or material.
- (1) If the contracting officer decides to provide for adjustments based on cost indexes of labor or material, prepare a clause that defines each of the following elements:
 - (i) The type of labor and/or material subject to adjustment;
- (ii) The labor rates, including any fringe benefits and/or unit prices of materials that may be increased or decreased;
- (iii) The index(es) that will be used to measure changes in price levels and the base period or reference point from which changes will be measured; and
 - (iv) The period during which the price(s) will be subject to adjustment.
 - (2) The contracting director must approve use of this clause.

Parent topic: <u>516.203 Fixed-price contracts with economic price adjustment (EPA).</u>